

Assurance & Risk Mitigation - ARM/AV/C

● Mitigating Risk And Maximising The Value Of An Acquisition

Introduction: Expert Automotive M&A Experts Required

- A dealer group was looking to expand its network through the acquisition of another dealership, but wanted to understand the potential risks and liabilities if it proceeded with a share sale.
- It asked ASE Automotive Solutions to conduct a thorough analysis of the intended target business and provide on-going support throughout the sale process.
- This enabled the acquirer to negotiate an agreement, which would mitigate potential risks and give it the confidence to focus on maximising the potential value of the new dealership.

The Challenge: Minimising Risk While Keeping The Deal On Track

- In any M&A situation the acquiring company must be aware of any potential risks and exposure that could undermine the value of the acquisition.
- This is particularly important in a share sale, as the acquirer assumes responsibility for the historic trading liabilities of the acquired business, whether that is outstanding tax receipts, compliance issues or employee industrial disputes.
- It was critical for ASE's client to have confidence the price it was paying for the dealership was fair and built in any considerations around risks and liabilities.
- It required a partner, who had in-depth experience of M&A in the automotive industry and could navigate the sensitivities around all of the stakeholders involved to ensure the acquisition remained on track without exposing the acquirer to costs that could have long-term cost implications for the business.

ASE Approach: Detailed Analysis Combined With Expert Automotive M&A Consultancy

- **Phase One:** the initial evaluation of the acquisition to understand the scope of work required
- **Phase Two:** the comprehensive audit combining remote analysis with onsite investigations to complete a detailed Financial Due Diligence (FDD) project
- **Phase Three:** on-going consultancy through the completion phase, including assistance on the Completion accounts and integration support around tax planning once the sale was completed

Outcomes:

Securing a fair price

- The ASE team was able to reassure the client there were no unknown risks or liabilities in acquiring this dealership.
- Armed with this intelligence, the client better understood the commercial value of the business and was able to negotiate a fairer price, offsetting the cost of ASE's fees by more than 100%.
- Long-term the client could move forward with confidence knowing that there would be no future surprises in terms of costs associated with the acquisition and could concentrate on maximising the new business potential of the dealership.
- The client was also so pleased with the outcome that it asked ASE Automotive Solutions to conduct an audit of its entire Group structure to identify opportunities for performance improvement.